

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6493

BILL NUMBER: HB 1045

NOTE PREPARED: Nov 27, 2004

BILL AMENDED:

SUBJECT: Notice to BMV of Auto Insurance Cancellations.

FIRST AUTHOR: Rep. Kersey

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: This bill requires an insurer to notify the Bureau of Motor Vehicles (BMV) if a motor vehicle insurance policy is canceled before the expiration date of the policy. It requires the BMV to revoke the operator's license of a person who was a policyholder under a canceled policy if the person does not specify how the person will maintain financial responsibility on the person's vehicle after canceling the policy, unless the person receives an exemption from the BMV.

Effective Date: July 1, 2005.

Explanation of State Expenditures: There will be additional expenditures to the BMV associated with the notification requirement. While the effective date of the bill is July 1, 2005, the requirements imposed upon vehicle owners and the BMV take effect January 1, 2006. The estimated additional expenditures are summarized in the following table:

| Item | FY 2006 | FY 2007 |
|-------------|------------------|------------------|
| Personnel | \$135,477 | \$270,953 |
| Mailing | <u>\$264,085</u> | <u>\$528,170</u> |
| Total | \$399,562 | \$799,123 |

In addition, there may be a one-time computer cost, the amount of which is not known at this time. This part of the fiscal note will be updated upon receipt and verification of the amount.

For the Bureau of Motor Vehicles (BMV), there will be additional expenditures to comply with the provisions of this proposal. It is assumed that 20% of the state's approximately 6.6 million licensed drivers will receive notifications for failure to comply with this proposal, and 10% of all notices will result in suspensions. Further, it is assumed that each notice will cost an estimated \$0.39. The fund affected is the Motor Vehicle Highway Account (MVHA), which supports the BMV.

The funds and resources required above could be supplied through a variety of sources, including the following: (1) existing staff and resources not currently being used to capacity; (2) existing staff and resources currently being used in another program; (3) authorized, but vacant, staff positions, including those positions that would need to be reclassified; (4) funds that, otherwise, would be reverted; or (5) new appropriations. For FY 2004, the BMV reverted approximately \$2.4 M from its main operating account and approximately \$129,000 from the Financial Responsibility Compliance Verification Fund. As of November 22, 2004, the BMV had 67 vacant budgeted positions with annual salaries amounting to approximately \$1.6 M. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative and administrative actions.

Explanation of State Revenues: There may be additional annual revenue accruing to the Financial Responsibility Compliance Verification Fund and the MVHA. The fee for reinstatement of a driving license that was suspended for failure to maintain financial responsibility is \$150 for the first suspension, \$225 for the second suspension, and \$300 for the third suspension. For each suspension, \$30 is deposited into the MVHA, with the remainder deposited into the Financial Responsibility Compliance Verification Fund (IC 9-25-9-7).

Money in the Financial Responsibility Compliance Verification Fund may be used to defray expenses incurred by the BMV in verifying compliance with financial responsibility requirements. The expenses of administering the Fund is paid from money in the Fund. Money in the fund at the end of a state fiscal year does not revert to the state General Fund

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Bureau of Motor Vehicles.

Local Agencies Affected:

Information Sources: Jane Morrical, Director of Treasury for the BMV, 317-232-2822, updated from the 2003 legislative session.

Fiscal Analyst: James Sperlik, 317-232-9866.